

**UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

<b>IN RE:</b>	:	<b>CHAPTER 11</b>
	:	
<b>READING BROADCASTING, INC.,</b>	:	<b>BANKRUPTCY NO. 05-26563(TMT)</b>
	:	
<b>Debtor</b>	:	
	:	

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**EXAMINER'S REPORT PREPARED BY  
ALFRED T. GIULIANO, CPA, CIRA, CFE**

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**Dated: December 12, 2005**

proposed tower leases are with companies that have relationships with any of RBI's shareholders, board members, or officers.

Proposals of the estimated costs to build out the DTS system are still being received and negotiated by RBI. As of the date of this report, the Examiner has not received any of the construction/equipment proposals.

Pursuant to the Wells Fargo DIP loan request, RBI has indicated that the cost of the DTS system is expected to be \$2,545,270. RBI must secure debtor-in-possession financing to fund the expense of the DTS system. HLM and PTN have indicated that the figure of \$2,545,270 is high. Mr. Weiss stated that he believed it may cost between \$1.5 and \$2.0 million. Regardless, these costs need to be reviewed and a cushion provided in the event of cost overruns or delays.

## **FINANCIAL ANALYSIS**

### **Comparative Income Statements**

The Examiner has relied on RBI's financial statements and has not performed an audit or a review.

RBI's annual financial statements are prepared on an accrual basis and are reviewed by their external accountants, however no audits were performed for the years of 2000, 2001, 2002, 2003 and 2004.

Exhibit #5 shows RBI's income statements for years 2000 to 2006. Years 2000 to 2004 are based on actual results, 2005 is based on actual results through October and on RBI's forecast for November and December, and 2006 is based on RBI's forecast included in its cash collateral report. RBI's 2005/2006 monthly financial statements and forecasts are not prepared on a full accrual basis. Adjustments were made to convert them to an accrual basis for comparison purposes and are noted.

Reading Broadcasting, Inc. – Debtor  
Chapter 11  
Case #05-26563/TMT  
Examiner's Report

On Exhibit #5, RBI's income/expenses have been grouped into two categories, operating and non-operating. Non-operating income/expenses include an estimate of legal fees and other costs (or income) related to:

- broadcasting license challenge
- 2001 settlement with Partel
- unauthorized commissions paid to McCracken
- Telemundo settlement
- Fancy Hill Tower Site
- PTN litigation (excluding any judgment)
- Holland and Knight settlement
- insurance settlement related to a 2001 fire at RBI's facility

RBI's net sales fluctuated between \$1.8 and \$2.2 million from 2000 to 2004; overall, net sales grew a total of 6.8% during that period. In 2005, net sales are expected to grow 28.7% to \$2.7 million. Operating income ranges from a high of \$731,000 in 2000 to a low of \$288,000 in 2001. With the exception of 2001, RBI's operating income has fallen within a range of \$545,000 to \$775,000.

The net cost of the non-operating items resulted in RBI having losses in 2001, 2002, 2003 and 2004. The total net cost of the non-operating items was approximately \$3.6 million for the five-year period 2000 to 2004.

Exhibit #6 shows RBI's actual financial results for the first ten months of 2005 and its forecasted results for November and December. Although the results indicate a net income of approximately \$441,000, there is no accrual for the PTN judgment of \$8.3 million plus any estimated stock value assessments. If the \$8.3 million was recorded, then RBI would, in fact, have a loss of \$7.8 to \$7.9 million.

**2006 Forecast**

RBI provided the Examiner with a month-by-month forecast for 2006 (Exhibit #7). The 2006 forecast assumes certain improvements that RBI expects to obtain when its DTS system becomes operational. The additional expenses related to leasing the tower sites and for the satellite needed for the DTS system were estimated by management and included in the 2006 forecast.

RBI's agreement with 28:30 includes monthly sales targets that were agreed to by RBI. In addition to sales made through 28:30 RBI has sales revenue from a separately negotiated agreement with Shop-At-Home for a nighttime program. Exhibit #8, page 2, compares RBI's 2005 actual results to the 28:30 2005 sales targets plus RBI's expectations for the nighttime Shop-At-Home agreement. Actual results have exceeded target results.

Exhibit #8, page 3, compares RBI/28:30's 2006 monthly targets and sales forecast. The 28:30 targets include a 5.6% increase over 2005. However, the 2006 forecast provided to the Examiner (Exhibit #7) by RBI includes improvements expected from the installation of the DTS system and reflects a 23.3% sales increase over 2005. This increase is contingent on a timely installation of the DTS system and realization of improvements due to expanded coverage. Based on the sales forecast, the 2006 forecast is deemed to be optimistic, particularly for the last six months of 2006.

**October/November 2005 Forecast**

Exhibit #9 compares actual sales for the months of October and November to RBI's cash collateral forecast and the targets. For the two-month period sales were only \$12,106 (2.5%) below the cash collateral report sales, but \$37,541 below the original targets.

RBI's management has represented that it expects the actual net bottom line to be reported for November 2005 to be \$45,000 below the cash collateral report provided to the bankruptcy court. Three main items caused this variance. Net sales are \$21,000 below forecast, expenses are

\$37,000 less than forecast, and RBI did not receive the \$60,000 in fees that it expects to recapture upon the funding of the Wells Fargo Loan.

### **DIP FINANCING**

#### **Wells Fargo Foothill, Inc.**

Wells Fargo Foothill, Inc. has provided RBI with a conditional commitment for a \$4.5 million debtor-in-possession multi-draw senior secured loan ("Wells Fargo Loan"). The Wells Fargo Loan will have a variable interest rate equal to the Wells Fargo prime rate, as defined, plus four percent. There will be no scheduled amortization; RBI will be required to make monthly interest payments. The Wells Fargo Loan will mature upon the earlier of (i) the expiration of an eighteen month term, or (ii) confirmation of a plan of reorganization.

The proceeds of the Wells Fargo Loan, available after payment of Wells Fargo financing costs and fees of \$590,000, will be used to supposedly pay (i) the amount of \$470,000 to Telemundo, in full satisfaction of its debt (the bankruptcy schedules list \$560,095 due and Telemundo asserts that they have not agreed to accept less than their full obligation), (ii) the amount of \$58,578 to Mattmiller for back salary and expenses, (iii) the amount of \$250,000 to Montgomery McCracken Walker & Rhoads, (iv) the amount of \$325,199 to applicable vendors for the purchase of station equipment, and (v) the amount of \$2,545,270 for the costs to construct the DTS system. The remaining funds in the amount of \$260,953 are not allocated for any specific purpose. (See Exhibit #10 for detailed Schedule of Disbursements.)

Parker has indicated that the \$250,000 to be paid to Montgomery McCracken Walker and Rhoads represents approximately \$70,000 to finalize the Wells Fargo Loan, and \$180,000 for payment towards services rendered pre-petition in connection with the loan negotiations with Wells Fargo. This provision and the payment of pre-petition expenses of Mattmiller are in conflict with the provisions of the Bankruptcy Code.

**Wells Fargo Loan Covenant**

The Wells Fargo Loan includes among other covenants, a Loan/Annual Cash Flow covenant. Under the terms of the Wells Fargo Loan, RBI must maintain a ratio of cumulative borrowing to Annual Cash Flow, as defined, of no more than 5 to 1. Exhibit #11 depicts RBI's expected compliance with this covenant based on their actual financial results through October 31, 2005 and their forecast for November and December 2005 and January to December 2006. RBI would be able to comply with the covenant if it achieves its forecast.

If RBI's financial results in 2006 were no better than those that they achieved in 2005, RBI may not be able to borrow the full \$4.5 million since they may not meet the annual cash flow requirement. RBI's borrowing would be limited to \$4,137,575 which is calculated at 12/31/05 cash flow of \$827,515 times 5.

**HLM Proposal**

In a Term Sheet dated October 20, 2005 HLM proposed loaning \$2.5 million to RBI as debtor-in possession financing ("HLM DIP Loan"). This loan is contingent upon, among other things, an interim manager/trustee, acceptable to HLM, being appointed. The HLM DIP Loan would be available to finance expenditures related to the conversion of RBI's broadcasting system to digital. This commitment in the present amount may not fully fund the cost to construct a DTS system.

The HLM DIP Loan would carry an interest rate of prime, as defined, plus 3%. Interest would be payable monthly. A loan fee of 2% would be charged; it would not be payable immediately but would be characterized as principal if the RBI case converted to a chapter 7. The loan would mature upon the earlier of (i) eighteen months or (ii) confirmation of a plan of reorganization.

**EXHIBIT "5"**

Reading Broadcasting, Inc.  
Annual Income Statements Years 2000-2006

	Dollars (000's)							% to Net Sales						
	Exh#7	Exh#6	[a]	[b]	[b]	[b]	[b]							
	Budget 2006	Actual 2005	Actual 2004	Actual 2003	Actual 2002	Actual 2001	Actual 2000	2006	2005	2004	2003	2002	2001	2000
Total Sales	3,833	3,043	2,460	-	-	-	-							
Agency Commissions	(464)	(311)	(338)	-	-	-	-							
Net Sales	3,369	2,732	2,122	2,226	2,180	1,811	1,987	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Operating Expenses:														
Advertising and Promotion	18	23	5	8	5	-	-	0.5	0.9	0.2	0.4	0.2	-	-
Automobile and Truck	36	29	21	24	23	23	25	1.1	1.1	1.0	1.1	1.1	1.3	1.3
Bad Debt Expense - Operating	-	-	-	-	98	-	-	-	-	-	-	4.5	-	-
Cable Enhancement Expense	-	-	-	-	-	4	7	-	-	-	-	-	0.2	0.4
Commissions and Selling Expenses	-	-	34	38	35	8	12	-	-	1.6	1.7	1.6	0.4	0.6
Computer Expenses	30	49	14	21	13	-	-	0.9	1.8	0.7	0.9	0.6	-	-
Copyright Fee	-	-	-	64	-	-	-	-	-	-	2.9	-	-	-
Depreciation and Amortization [d]	70	64	57	56	47	23	15	2.1	2.4	2.7	2.5	2.2	1.3	0.8
Dues and Subscription	1	-	22	22	20	-	-	0.0	-	1.0	1.0	0.9	-	-
Emergency Response	24	-	-	-	-	-	-	0.7	-	-	-	-	-	-
Employee Welfare and Training	3	7	-	11	2	8	6	0.1	0.2	-	0.5	0.1	0.4	0.3
Equipment/Bldg Maint and Repair	36	23	23	44	15	120	20	1.1	0.8	1.1	2.0	0.7	6.6	1.0
Equipment Rental	2	4	4	8	8	9	9	0.1	0.1	0.2	0.4	0.4	0.5	0.5
Football Expense	32	11	-	-	-	-	-	0.9	0.4	-	-	-	-	-
Freight and Shipping	7	7	5	5	5	8	12	0.2	0.2	0.2	0.2	0.2	0.4	0.6
Insurance	141	121	121	105	85	64	45	4.2	4.4	5.7	4.7	3.9	3.5	2.3
Office Expense	30	29	27	17	31	62	27	0.9	1.0	1.3	0.8	1.4	3.4	1.4
Other Operating Expense	22	64	4	32	22	3	1	0.7	2.3	0.2	1.4	1.0	0.2	0.1
Partel Inc. - Agreement/Bonus	243	181	-	-	-	11	12	7.2	6.6	-	-	-	0.6	0.6
Partel Inc. - Expenses	24	58	-	-	-	17	7	0.7	2.1	-	-	-	0.9	0.4
Payroll (and Bonuses for 2005)	547	508	487	512	550	491	403	16.2	18.6	23.0	23.0	25.2	27.1	20.3
Production Expense	36	19	3	3	5	4	2	1.1	0.7	0.1	0.1	0.2	0.2	0.1
Professional Fees [c]	178	175	175	175	175	175	175	5.3	6.4	8.2	7.9	8.0	9.7	8.8
Professional Memberships and Licenses	12	66	-	-	-	13	9	0.4	2.4	-	-	-	0.7	0.5
Satellite Expense	99	-	-	-	-	-	-	2.9	-	-	-	-	-	-
Taxes - Other	-	5	6	-	-	-	3	-	0.2	0.3	-	-	-	0.2
Taxes - Payroll	45	36	55	32	38	30	35	1.3	1.3	2.6	1.4	1.7	1.7	1.8
Taxes - Property	12	15	15	15	14	13	13	0.4	0.5	0.7	0.7	0.6	0.7	0.7
Technical Expense	1	1	2	5	4	33	43	0.0	0.0	0.1	0.2	0.2	1.8	2.2
Telephone	28	48	44	37	38	39	34	0.8	1.8	2.1	1.7	1.7	2.2	1.7
Tower Rental	280	109	102	83	91	78	72	8.3	4.0	4.8	3.7	4.2	4.3	3.6
Travel and Entertainment	60	70	41	29	42	38	44	1.8	2.6	1.9	1.3	1.9	2.1	2.2
Utilities	56	59	59	59	56	69	82	1.7	2.2	2.8	2.7	2.6	3.8	4.1
Total Operating Expenses	2,073	1,780	1,326	1,405	1,422	1,343	1,113	61.5	65.2	62.5	63.1	65.2	74.2	56.0
Interest Expense [g]	377	182	202	248	226	206	205	11.2	6.7	9.5	11.1	10.4	11.4	10.3
Miscellaneous Income	-	5	23	23	13	24	62	-	0.2	1.1	1.0	0.6	1.3	3.1
Interest Income	-	-	2	-	-	2	-	-	-	0.1	-	-	0.1	-
Net income before Non-operating Items	919	775	619	596	545	288	731	27.3	28.4	29.2	26.8	25.0	15.9	36.8



Reading Broadcasting, Inc.  
Annual Income Statements Years 2000-2006

	Dollars (000's)							% to Net Sales						
	Exh#7	Exh#6	[a]	[b]	[b]	[b]	[b]	2006	2005	2004	2003	2002	2001	2000
	Budget	Actual	Actual	Actual	Actual	Actual	Actual							
	2006	2005	2004	2003	2002	2001	2000							
Non-operating Items:														
Fancy Hill Abandonment Loss	-	-	-	-	(222)	-	-	-	-	-	-	(10.2)	-	-
Fancy Hill Gain on Sale	-	-	-	19	-	-	-	-	-	-	0.9	-	-	-
Holland/Knight Gain on Debt Extinguishment	-	-	107	-	-	-	-	-	-	5.0	-	-	-	-
Insurance Settlement	-	-	-	-	-	436	-	-	-	-	-	-	24.1	-
McCracken Commissions Paid/Recovered [c]	-	-	234	(282)	(136)	(30)	-	-	-	11.0	(12.7)	(6.2)	(1.7)	-
Parker Bad Debt Expense Write off	-	-	-	-	-	(129)	-	-	-	-	-	-	(7.1)	-
Parker Settlement	-	-	-	-	-	(150)	-	-	-	-	-	-	(8.3)	-
Professional Fees [c] [f]	(346)	(334)	(535)	(509)	(215)	(376)	(624)	(10.3)	(12.2)	(25.2)	(22.9)	(9.9)	(20.8)	(31.4)
PTN Bad Debt Expense Write off	-	-	(117)	(54)	-	-	-	-	-	(5.5)	(2.4)	-	-	-
Telemundo Settlement	-	-	(400)	-	-	(600)	-	-	-	(18.9)	-	-	(33.1)	-
Total Income and Other Expenses	(346)	(334)	(711)	(826)	(573)	(849)	(624)	(10.3)	(12.2)	(33.5)	(37.1)	(26.3)	(46.9)	(31.4)
Net Income/(Loss)	573	441	(92)	(230)	(28)	(561)	107	17.0	16.2	(4.3)	(10.3)	(1.3)	(31.0)	5.4
Memo: Purchase of Property, Plant and Equipment	18	58	44	69	159	416	-	0.5	2.1	2.1	3.1	7.3	23.0	-

Reconciliation to 2006 Monthly P&L Budgets

Net Income/(Loss) - Above	573
Cash Uses Included In Budget/Cash Collateral	
Purchase of PP&B	(18)
Dolenti Mortgage	(12)
HLM Loan	(192)
SWOB Loan	(157)
HK Loan Payment	(114)
Depreciation (Excluded From Budget)	70
Net Income Per RBI Budget (Exhibit #7)	150

[a] Based on statements reviewed by Beard Miller Company LLP

[b] Based on statements reviewed by William R. Masio

[c] Assumed that normalized professional fees were \$175,000 per year for years through 2005; used 2006 budget of \$178,500 for engineering, accounting, FCC and general legal.

[d] Depreciation based on historical levels and 2005 capitals; no additional depreciation factored in for digital conversion that could be significant

[e] Unauthorized commissions paid 2001, 2002, 2003 based on Nihill Ridley schedule

[f] In 2006, RBI budgeted \$20,000 per month (\$240,000 for the year) for Montgomery McCracken re: PTN litigation per pre-petition agreement.

[g] 2006 interest on Dolenti mortgage, HLM SWOB and HK loans not included in interest expense; breakdown between principal and interest not provided.

## **EXHIBIT "6"**

Reading Broadcasting, Inc.  
Year 2005 Monthly Income Statements

ACTUAL PER QUICKBOOKS												YTD Adj Subtotal	Adjust/ Non-Op II	12/31/05
Actual 1/31/05	Actual 2/28/05	Actual 3/31/05	Actual 4/30/05	Actual 5/31/05	Actual 6/30/05	Actual 7/31/05	Actual 8/31/05	Actual 9/30/05	Actual 10/31/05	Actual 11/30/05				
Gross Revenue	277,493	262,459	304,059	244,783	271,032	226,663	255,670	228,020	238,972	285,319	2,494,670		3,043,310	
Agency Commissions	-	(20,009)	(25,235)	(27,285)	(28,026)	(24,466)	(23,562)	(25,447)	(16,213)	(29,262)	(240,419)		(310,955)	
Net Sales	277,493	242,450	278,824	217,498	243,006	202,197	232,108	202,573	222,759	256,057	2,254,251		2,732,355	
Operating Expenses:														
Advertising/Print Clips	-	-	-	-	-	645	296	568	1,000	200	2,709		16,954	
Amortization	-	-	156	-	-	156	-	-	-	-	312		312	
Auto and Gas Expense	1,263	1,793	2,004	1,912	2,382	2,149	3,034	2,629	2,778	3,179	22,944		28,944	
Bank Charges	52	73	25	155	152	102	153	157	142	63	1,074		1,374	
Bonuses	-	-	-	-	-	-	-	6,500	3,500	-	10,000		10,000	
Business Privilege Tax	-	-	4,779	-	-	-	-	-	-	-	4,779		4,779	
Charitable Contributions	-	-	-	-	-	-	-	-	3,539	3,040	6,579		6,579	
CNN Lease	-	-	-	-	-	-	-	6,083	-	-	6,083		6,083	
Computer Expense	813	183	1,036	415	492	383	3,346	1,308	4,907	1,088	14,489		18,969	
Consultant Travel	-	206	1,914	2,538	1,619	5,390	163	2,045	1,039	2,919	17,836		17,836	
Depreciation Expense	-	-	15,449	-	-	16,597	-	-	-	-	32,045	32,000	64,045	
DTV Construction	-	-	-	-	-	-	-	12,500	-	-	12,500		12,500	
Emergency Response Network	-	-	-	4,000	-	-	3,500	-	-	2,000	9,500		13,500	
Employee Entertainment	184	57	202	154	46	402	46	811	1,368	180	3,429		3,429	
Employee Salaries	34,672	31,804	34,649	48,712	32,269	31,461	42,922	36,082	53,391	39,312	315,273		480,275	
Employee Travel	-	518	1,587	2,632	4,636	747	-	997	4,155	2,919	18,191		18,191	
Employee Welfare	138	333	223	28	-	-	67	223	32	-	1,042		6,542	
Employer 941 (FICA) Tax	2,497	2,292	3,962	3,585	2,327	794	2,487	2,533	3,897	3,057	27,451		27,451	
Equipment Lease	-	1,152	-	-	-	-	-	-	-	-	1,152		1,152	
Equipment Purchase - Telecast	-	-	-	1,437	498	-	440	-	534	352	3,280		3,280	
Equipment Rental	-	156	443	414	281	445	156	183	445	102	2,624		2,828	
Federal Unemployment Tax	281	206	228	133	46	(128)	68	75	70	58	1,020		1,020	
Football Expense (Allnight)	-	-	-	-	-	-	-	-	7,191	4,009	11,200		11,200	
Freight and Shipping	1,330	269	432	409	262	331	382	629	530	566	5,679		6,679	
Insurance	10,396	8,104	8,809	8,809	14,644	2,653	6,393	18,810	9,296	9,223	97,135		120,589	
Main - Computer Serv-Non Tech	650	423	333	-	401	293	-	244	523	947	4,054		4,054	
Maintenance & Repair - Office	92	-	-	380	-	129	-	-	25	-	626		626	
Maintenance Expense	-	31	116	-	-	51	244	-	-	-	442		3,692	
Maintenance Supplies	98	7	346	217	115	184	-	626	-	170	1,708		1,703	
Miscellaneous	(16)	3	(440)	2	-	14	-	-	-	-	(437)		163	
Office - Copier	473	1,170	630	748	789	819	830	802	793	739	7,815		7,815	
Office - General	777	33	1,903	1,056	1,253	1,028	2,018	260	1,123	1,038	10,489		14,589	
Office - Payroll	220	380	228	316	219	214	208	301	334	219	2,639		2,639	
Ohio Unemployment Tax	42	39	-	-	-	-	-	-	-	-	81		81	
Operations Department Expenses	49	-	-	-	-	284	-	542	-	-	854		1,054	
Partel - Moving Expenses	-	-	-	2,161	-	-	116	-	-	-	2,277		2,277	
Partel - Travel/Other Expense	2,366	2,553	8,028	5,979	942	3,706	5,816	6,123	6,984	6,048	48,344		52,344	
Partel - Entertainment	-	-	-	-	-	379	1,053	385	404	-	2,221		2,221	
Partel - Operate Office	-	-	-	1,100	3,258	(4,358)	8,436	3,039	809	-	12,284		12,284	
Partel - Bonus	-	-	-	-	-	-	-	10,000	7,500	-	17,500		17,500	
Partel Management Agreement	-	-	-	27,000	29,000	12,000	12,000	21,000	5,000	10,000	116,000		162,750	
Postage Expense	100	133	132	340	28	246	214	130	534	389	2,446		2,446	
Printing Expense	125	-	-	-	179	208	-	-	-	-	313		713	
Pro - Eng - Consulting	700	-	2,000	27,000	2,000	-	2,000	2,000	-	2,000	37,700		37,700	
Pro - Other	-	2,500	-	-	-	-	-	-	-	-	2,500		2,500	
Pro - Legal - General	26,354	7,337	8,069	7,625	13,703	54,867	113,390	15,900	6,873	31,047	285,155	(193,659)	109,496	
Pro Exp - Legal	1,000	-	-	130	-	-	-	-	-	-	1,130		1,130	
Pro Services - Acting	9,205	1,853	2,200	1,431	-	-	1,110	3,260	4,415	200	23,674		24,174	
Production Expenses	-	-	-	-	796	-	412	9,253	40	3,948	14,450		19,450	
Prof Membership, Licenses, & Fees (2)	1,761	2,050	8,615	1,536	35,116	1,856	5,210	1,561	31,989	34,180	123,815		65,815	
Professional Services - Eng	-	-	-	-	-	-	-	-	-	-	1,000		1,000	
Professional-Computer Commit	-	4,193	3,769	600	-	-	5,871	-	-	11,800	26,233		26,233	
Programming	-	-	1,300	-	-	1,300	-	-	1,300	29	3,989		3,989	
Promotional Expense	219	559	469	-	492	273	250	732	219	219	3,430		4,430	
Real Estate Taxes	-	-	6,976	-	-	-	7,994	-	-	-	14,969		14,969	
Rent - Tower	8,572	8,572	8,103	8,572	9,041	8,572	8,572	8,572	8,572	468	77,621		108,521	
Repairs	-	222	-	97	87	5,787	1,615	449	2,283	1,979	12,519		12,519	
State Unemployment Tax	1,876	1,645	2,047	1,246	496	(1,098)	452	547	628	546	8,386		8,386	
Subscriptions	-	-	435	-	319	21	109	149	-	127	1,152		1,152	
Technical Expense & Parts	69	142	-	708	-	12	147	-	-	-	1,077		1,077	
Telephone and Internet Exp	4,764	2,312	2,700	3,449	3,268	3,881	4,839	4,389	5,140	7,575	43,237		48,437	
Temp Emp Cost	-	2,221	3,267	1,828	3,405	4,443	1,829	314	-	653	17,862		17,862	
Traffic Systems Lease	275	275	-	275	550	275	-	550	275	275	2,750		5,370	
Travel/Entertainment	1,432	34	620	516	8,041	3,081	6,363	66	155	41	20,409		30,409	
Utilities	4,921	5,059	5,111	4,790	4,233	4,714	5,432	5,038	4,923	4,688	48,909		58,909	
Weight Loss Show	-	-	-	-	-	-	-	2,000	33	-	2,033		2,033	
Total Operating Expenses	117,748	91,941	142,633	174,697	177,438	164,410	259,941	191,545	188,669	192,018	1,701,059	(161,659)	1,780,623	
Ordinary Income	159,745	150,715	96,171	42,882	65,568	37,787	(27,833)	10,828	14,091	63,439	553,182		951,732	
Interest Expense	21,262	15,150	20,824	13,708	14,343	4,825	18,134	14,973	15,100	12,693	150,992		181,617	
Interest Income	-	-	-	-	-	-	-	-	-	(45)	(45)		(45)	
Finance Charges/Other	171	47	61	14	64	(852)	783	63	(2)	57	785		785	
Miscellaneous Income	-	-	(2,667)	(177)	-	(2,670)	-	(356)	-	-	(5,869)		(5,869)	
Income/(Loss) Before Non-operating Items	\$138,313	\$136,557	\$75,353	\$29,336	\$51,161	\$36,084	\$(46,749)	\$(4,053)	\$(1,007)	\$9,734	\$407,329		\$161,659	
Non-operating Items:														
Pro - Legal - Bankruptcy	-	-	-	-	-	-	15,000	-	-	4,720	19,720		49,720	
Professional fees (1)	12,048	1,606	584	-	-	-	8,446	11,282	16,259	30,425	69,025	193,659	293,659	
Pro - Legal - PTN Litigation	12,048	1,606	584	-	-	-	23,646	11,282	20,979	70,145	193,659		335,804	
Income/(Loss)	\$126,265	\$133,831	\$76,521	\$29,336	\$51,161	\$36,084	\$(46,749)	\$(27,699)	\$(12,289)	\$29,775	\$337,184	\$(32,000)	\$441,440	

Reduction to professional fees to normalized level of \$175,000 annually; Added depreciation for last six months of 2005

Reclassified receipt of fees from Wells Fargo to be reimbursed from DIP financing of \$60,000 in 11/05 to Prof Membership Fees where \$60,000 was expended

Cash collateral report submitted to the bankruptcy court, excluding cash loan payments.

## **EXHIBIT "7"**

**RBI BUDGET - 2008**  
November 17, 2007

Chart - For Internal Use Only. Not Intended To Be A Basis For Decision Making. Parameters May Vary.

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Operating Expenses	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Capital Expenses	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Depreciation	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Interest	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Income Tax	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Net Income	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000

## **EXHIBIT "8"**

Reading Broadcasting, Inc.  
Net Annual Sales Summary

Cash Collateral  
YTD October    Nov/Dec    Year Total    Year %

YEAR 2004

2004 ACTUAL

Exh #5

2,121,730

YEAR 2005 [1]

2005 Target

Page 2

2,071,777

445,177

2,516,954

2005 Actual

Page 2

2,254,251

478,104

2,732,355

Variance

182,474

32,927

215,401

%

8.8%

7.4%

8.6%

Target Increase over 2004

395,224

18.6%

Actual Increase over 2004

610,625

28.8%

YEAR 2006

2006 Target

Page 3

2,885,089

Increase over 2005 Actual

152,734

5.6%

2006 Budget

Page 3

3,368,748

Increase over 2006 Target

483,659

16.8%

Increase over 2005 Actual

\$ 636,393

23.3%

[1] First year with 28:30 LLP as sales agent

Exhibit #8  
Page 1 of 3

Reading Broadcasting, Inc.  
Year 2005 Sales

	1/31/2005[d]	2/28/05	3/31/05	4/30/05	5/31/05	6/30/05	7/31/05	8/31/05	9/30/05	10/31/05	Subtotal	11/30/05	12/31/05	Year 12/31/05
<b>TARGET [a]</b>														
Gross Agency Sales	226,100	187,000	187,850	171,700	218,450	175,100	147,900	187,000	153,850	276,250	1,931,200	221,000	221,000	2,373,200
House and Other Sales	38,882	38,882	38,882	38,882	38,882	38,882	38,882	38,882	38,882	38,882	388,820	38,882	38,882	466,584
Gross Sales	264,982	225,882	226,732	210,582	257,332	213,982	186,782	225,882	192,732	315,132	2,320,020	259,882	259,882	2,839,784
Less: Commissions - 28:30 LLC	-	(33,915)	(28,050)	(28,178)	(25,755)	(32,768)	(26,265)	(22,185)	(28,050)	(23,077)	(248,243)	(41,437)	(33,150)	(322,830)
Net Sales	164,982	191,967	198,682	182,404	231,577	181,214	160,517	203,697	164,682	292,055	2,071,777	218,445	226,732	2,516,954
<b>ACTUAL [b]</b>														
Gross Agency Sales	259,917	233,972	170,731	211,703	231,295	188,208	216,116	181,264	200,498	245,856	2,139,560			
House & Other Sales	17,577	21,686	33,328	33,081	39,737	38,455	39,554	46,756	38,474	39,462	355,110			
Gross Sales	277,493	262,659	204,059	244,783	271,032	226,663	255,670	228,020	238,972	285,319	2,494,670	274,140	274,500	3,043,310
Less: Commissions - 28:30 LLC	-	(20,003)	(25,235)	(27,205)	(28,026)	(24,466)	(23,562)	(25,847)	(36,213)	(29,862)	(240,419)	(35,241)	(35,295)	(310,955)
Net Sales	277,493	242,655	178,824	217,579	243,006	202,197	232,108	202,173	202,759	255,457	2,254,251	238,899	239,205	2,732,355
Memo: Total Shop at Home	66,907	48,450	58,132	55,609	63,463	61,642	61,932	64,541	62,181	60,024	602,879			
% of Total Sales Agency & House	23.6%	18.2%	24.7%	20.1%	20.7%	24.2%	21.8%	23.6%	23.6%	19.0%	22.0%			
<b>VARIANCE</b>														
Gross Agency Sales	33,817	46,972	(17,119)	40,003	12,845	13,108	68,216	(5,736)	46,648	(30,394)	208,360			
House and Other Sales	(21,305)	(10,196)	(5,554)	(5,801)	855	(427)	672	7,874	(408)	580	(33,710)			
Gross Sales	12,511	36,777	(22,673)	34,201	13,700	12,681	68,888	2,138	46,240	(29,814)	174,650	14,258	14,618	203,526
Less: Commissions - 28:30 LLC [c]	-	13,912	2,815	973	(2,271)	8,302	2,703	(3,662)	(8,163)	(6,785)	7,824	6,196	(2,145)	11,875
Net Sales	12,511	50,688	(19,858)	35,175	11,429	20,983	71,591	(1,524)	38,077	(36,598)	182,474	20,454	12,473	215,401
%	4.7%	26.4%	-10.0%	19.3%	4.9%	11.6%	44.6%	-0.7%	23.1%	-12.5%	8.8%	9.4%	5.5%	8.6%

[a] Agency Sales "target" included in agreement with 28:30 LLC, House and commission computed by RBL

[b] Actual results through October 2005 per P&L; cash collateral forecasts submitted to bankruptcy court used for November and December 2005.

[c] Commission are actually recorded based on collections of the prior month versus on a billed basis for the target.

[d] Crossfooting error in January 2005 target amounts corrected above.

Note: Gross Agency Sales are after originating agency discounts



Reading Broadcasting, Inc.  
Year 2006 Sales

	1/31/2006 [a]	2/28/06	3/31/06	4/30/06	5/31/06	6/30/06	7/31/06	8/31/06	9/30/06	10/31/06	11/30/06	12/31/06	Year 12/31/06
<b>TARGET [a]</b>													
Gross Sales Agency	290,700	232,900	232,900	261,800	209,950	209,950	235,450	188,700	188,700	306,000	242,250	242,250	2,841,550
House and Other Sales	38,882	38,882	38,882	38,882	38,882	38,882	38,882	38,882	38,882	38,882	38,882	38,882	466,584
Gross Sales	329,582	271,782	271,782	300,682	248,832	248,832	274,332	227,582	227,582	344,882	281,132	281,132	3,308,134
Less: Commissions - 28:30 LLC	(33,150)	(43,605)	(34,935)	(34,935)	(39,270)	(31,493)	(31,493)	(35,318)	(28,305)	(28,305)	(45,900)	(36,338)	(423,045)
Net Sales	296,432	228,177	236,847	265,747	209,562	217,340	242,840	192,265	199,277	316,577	235,232	244,795	2,885,089
<b>BUDGET [b]</b>													
Gross Sales	339,582	281,782	292,787	328,187	282,837	295,837	321,337	274,587	282,587	407,887	366,817	358,817	3,833,044
Less: Commissions - 28:30 LLC	(33,150)	(43,605)	(34,985)	(36,686)	(42,046)	(34,269)	(36,369)	(40,194)	(33,181)	(32,505)	(50,776)	(46,531)	(464,296)
Net Sales	306,432	238,177	257,802	291,501	240,791	261,568	284,969	234,394	249,406	375,382	316,041	312,287	3,368,748
<b>BUDGET VARIANCE</b>													
Gross Sales	10,000	10,000	21,005	27,505	34,005	47,005	47,005	47,005	55,005	63,005	85,685	77,685	524,910
Less: Commissions - 28:30 LLC	-	-	(50)	(1,751)	(2,776)	(2,777)	(4,876)	(4,876)	(4,876)	(4,200)	(4,876)	(10,193)	(41,251)
Net Sales	10,000	10,000	20,955	25,754	31,229	44,229	42,129	42,129	50,129	58,805	80,809	67,492	483,659

[a] Agency Sales "target" included in agreement with 28:30 LLC. House and commission computed by RBI.

[b] Monthly budgets prepared by RBI; see Exhibit #7.

Note: Gross sales above are after originating agency discounts

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**EXHIBIT "9"**

Reading Broadcast, Inc.  
October/November 2005 Sales

	Actual	Target [1]	Cash Collateral		Act vs Target	Variances Act vs Cash Coll	Target vs Cash Coll
<b>10/31/05</b>							
Gross Sales	\$ 285,319	\$ 315,132	\$ 272,928		\$ (29,813)	\$ 12,391	\$ 42,204
Commissions	(29,862)	(23,077)	(26,762)		(6,785)	(3,100)	3,685
Net Sales	255,457	292,055	246,166		(36,598)	9,291	45,889
					-12.5%	3.8%	18.6%
<b>11/30/05</b>							
Gross Sales	\$ 249,521	\$ 259,882	\$ 274,140		\$ (10,361)	\$ (24,619)	\$ (14,258)
Commissions	(32,019)	(41,437)	(35,241)		9,418	3,222	(6,196)
Net Sales	217,502	218,445	238,899		(943)	(21,397)	(20,454)
					-0.4%	-9.0%	-8.6%
<b>TOTAL</b>							
Gross Sales	\$ 534,840	\$ 575,014	\$ 547,068		\$ (40,174)	\$ (12,228)	\$ 27,946
Commissions	(61,881)	(64,514)	(62,003)		2,633	122	(2,511)
Net Sales	472,959	510,500	485,065		(37,541)	(12,106)	25,435
					-7.4%	-2.5%	5.2%

[1] Gross agency sales portion included in agreement with 28:30 LLP

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**EXHIBIT "10"**

Reading Broadcasting, Inc.  
Schedule of Disbursements

November 17, 2005

<b>Total Loan to be Disbursed:</b>								<b>\$ 4,500,000.00</b>
<b>Costs of Obtaining Loan</b>								<b>\$ (590,000.00)</b>
	Wells Fargo Foothill, Inc. Loan fee	\$	(180,000.00)					
	Wells Fargo Foothill Liquidity Reserve	\$	(100,000.00)					
	Wells Fargo Foothill Professional Fee Reserve	\$	(250,000.00)					
	Wells Fargo Doc Prep Fee (Reimburse RBI)	\$	(60,000.00)					
<b>Telemundo Network Agreement</b>								<b>\$ (470,000.00)</b>
<b>Montgomery McCracken Walker &amp; Rhoads Loan-related Fees</b>								<b>\$ (250,000.00)</b>
<b>George A. Mattmiller, Jr.</b>								<b>\$ (58,578.30)</b>
	Back salary	\$	(13,500.00)					
	Expense reimbursement	\$	(45,078.30)					
<b>Station Equipment Purchases</b>								
	Scott Video Master Control Automation	\$	(84,498.00)	1	\$	(84,498.00)		
	N-Vision Master Control Switcher + Router	\$	(118,000.00)	1	\$	(118,000.00)		
	Winsted Consoles for MC/and Prod	\$	(2,885.00)	2	\$	(5,770.00)		
	Various Misc - wire, connectors, parts, audio	\$	(5,000.00)	1	\$	(5,000.00)		
	Various Video/Computer monitoring	\$	(500.00)	6	\$	(3,000.00)		
	Leitch DPS-575 A/D/A + Frame Sync w/AES	\$	(6,185.00)	10	\$	(61,850.00)		
	E/V Century 100 Monitor/Amp	\$	(850.00)	6	\$	(5,100.00)		
	ADC 3Gb HD Video panels	\$	(995.00)	8	\$	(7,960.00)		
	Biltree Audio patch panels	\$	(985.00)	8	\$	(7,880.00)		
	N-Vision various frames and modules	\$	(1,795.00)	10	\$	(17,950.00)		
	VidCAD CAD studio design & planning software	\$	(7,190.60)	1	\$	(7,190.60)		
<b>First Round Drawdown:</b>								<b>\$ (1,693,776.90)</b>
<b>DTV Buildout</b>								
	Axcera 500 watt DTV Transmitter	\$	(78,500.00)	8	\$	(628,000.00)		
	Axcera DTV accessories	\$	(24,850.00)	8	\$	(198,800.00)		
	Evertz GPS Sync Gen and time system	\$	(15,150.00)	1	\$	(15,150.00)		
	Moseley Remote Control system	\$	(7,500.00)	8	\$	(60,000.00)		
	RF Tech. Custom Designed & Built Antenna	\$	(50,250.00)	8	\$	(402,000.00)		
	Tower Mfg 200ft self-supporting Tower + build	\$	(61,000.00)	2	\$	(122,000.00)		
	Various Site Prep. (building, Telco, ESRx, etc.)	\$	(25,540.00)	8	\$	(204,320.00)		
	Various Satellite system	\$	(515,000.00)	1	\$	(515,000.00)		
	Welss Consulting engineering services	\$	(200,000.00)	1	\$	(200,000.00)		
	Various RF Monitoring and Test Equipment	\$	(25,000.00)	8	\$	(200,000.00)		
<b>Total Round Two Drawdown</b>								<b>\$ (2,545,270.00)</b>
<b>Remaining Funds</b>								<b>\$ 260,953.10</b>